

United States v. Mark Mazer, et al.
Prepared Remarks for U.S. Attorney Preet Bharara
June 20, 2011

Good afternoon. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

Last December, we announced charges against six individuals in connection with the CityTime project, New York City's initiative to modernize its payroll system. At the time, we alleged a substantial fraud on the City. But it turns out that may have been just the tip of the iceberg.

Unfortunately, in just the few months since the first announcement of arrests, we have developed evidence that the corruption on CityTime was epic in duration, magnitude, and scope.

Today, in the latest phase of the investigation, we announce indictments against an additional three defendants, the guilty plea of a fourth, and charges against a consulting company at the heart of the alleged fraud.

As described in the 43-page superseding indictment unsealed this morning, the scheme to overbill the City appears to have been systemic. Its reach extended across virtually every level of the CityTime Project, allegedly involving over \$600 million in City funds, more than \$40 million in kickbacks, and an international network of shell companies and accounts created for the sole purpose of laundering criminal cash.

In short, today we allege what many have long feared: the CityTime project was corrupted to its core by one of the largest and most brazen frauds ever committed against the City of New York.

In addition to those previously indicted, we have charged the following defendants in the superseding indictment:

1. Gerard Denault, the CityTime program manager at Science Applications International Corporation ("SAIC"), the primary contractor on CityTime. He was charged by complaint a few weeks ago.
2. Padma Allen, the co-owner and chief financial officer of Technodyne LLC, the primary subcontractor on CityTime;
3. Reddy Allen, Padma Allen's husband, and the co-owner and chief executive officer of Technodyne; and
4. Technodyne itself.

We also announce today the guilty plea of Carl Bell, the chief systems engineer at the New York office of SAIC. Bell pled guilty last week to various federal crimes including conspiracy to

defraud New York City and the receipt of millions of dollars in kickbacks from Technodyne and the Allens.

Both Bell and Victor Natanzon, who previously pled guilty to various federal crimes including the payment of millions of dollars in kickbacks, are cooperating with the investigation, which remains active.

Before getting to further details of today's charges, let me introduce our law enforcement team. I am joined here today by our extraordinary partner in this corruption case and so many others, Rose Gill Hearn, the Commissioner of the New York City Department of Investigation. I also want to thank the dedicated members of DOI who have worked on this matter, including:

- Assistant Deputy Commissioner John Kantor;
- Associate Commissioner Yuval Hibshoosh;
- auditors Laila Yu, Maggie Xu, Calvin Lam, and Renard McDowell;
- Inspector General Chris Gretina; and
- Special Investigators Cory Pihl and Matt Befort, as well as Bob Ryan and Ron Gardella, criminal investigators from my office.

In addition, I want to express my appreciation to the fine career prosecutors who have worked tirelessly on this matter and who continue to actively investigate it: Assistant U.S. Attorneys Howard Master, Andrew Goldstein and Kan Nawaday – led by the chief and deputy chief of our public corruption unit, Brendan McGuire and Michael Bosworth.

Now let me spend a few minutes describing today's allegations. As laid out in the 12-count superseding indictment, between 2003 and 2010, the CityTime payroll project served as a vehicle for an unprecedented fraud, which appears to have metastasized over time.

The individuals primarily responsible for CityTime allegedly collaborated to overbill the City and to fraudulently inflate the size and scope of the project so that they could overbill the City even more. Among other things, as described in the indictment, Mark Mazer used his authority at OPA to approve timesheets for consultants who were on leave, consultants who had been fired, and consultants who were working far less time than was reported.

Gerard Denault, meanwhile, allegedly used his authority at SAIC to cause consultants to be hired at inflated rates, to artificially delay the implementation of the project, and to approve work orders for staffing increases that were not necessary. As a result of these and other actions, CityTime's cost skyrocketed, while Mazer and Denault became millionaires many times over.

As described in the superseding indictment, sometime in 2005 or 2006, after the City had already paid SAIC more than \$85 million (or more than the original estimated cost of the entire project), Mark Mazer, Gerard Denault, and others caused the adoption of a critical and fraud-amplifying change to the contract:

- Because of their efforts, it went from a “fixed price” contract to a “fixed price level of effort” contract;
- That meant that from then on, it would be the City – not SAIC – who would become largely responsible for future cost overruns.

What followed, as described in the indictment, was a dramatic acceleration in costs – with the City on the hook for all of it.

For example: at the end of 2005, there were fewer than 150 consultants working on CityTime and an internal SAIC report said that the project was staffed adequately. But by the end of 2007, the number of consultants had more than doubled, to over 300, many of whom billed at rates of \$160 per hour or more than \$300,000 per consultant, per year. This occurred even though SAIC had received in 2005 a whistleblower complaint and conducted an internal investigation concerning specific suspicions regarding Technodyne, contract mismanagement, and kickbacks to Gerard Denault.

Here’s how we allege the scheme worked:

First, there’s Mark Mazer. Mark Mazer functioned as one of the principal agents and representatives of OPA, the City agency overseeing CityTime. But Mark Mazer allegedly worked out a secret kickback scheme with D.A. Solutions and Prime View, two of the sub-subcontractors providing additional consulting services on CityTime. In exchange for steering work to these two companies, Mazer got a huge share of their profits, over \$25 million in kickbacks in total.

Then there are Gerard Denault and Carl Bell. These men worked at SAIC, the primary contractor hired by the City to implement and staff the CityTime Project. The indictment alleges that beginning in 2003, Denault, the SAIC executive principally responsible for overseeing CityTime and Bell, SAIC’s chief systems engineer in NY, agreed to receive kickbacks in exchange for steering work to Technodyne, which became the principal subcontractor on the project.

Specifically, Technodyne and its principals, Padma and Reddy Allen, agreed to pay Denault and Bell each \$5 for every hour worked by every consultant hired by or through Technodyne to work on the CityTime project. This, needless to say, gave Denault and Bell a significant personal financial incentive to inflate the billing for consultants on CityTime. All told, Denault allegedly received over \$9 million in kickbacks from Technodyne and the Allens, and Bell received over \$5 million in kickbacks.

In addition to alleging fraud and kickback crimes, today’s indictment also includes charges of money laundering and obstruction of justice.

Among other things, Padma and Reddy Allen are charged with obstructing justice not only by lying to law enforcement, but by concocting a phony cover story for Bell to use if questioned

about the kickbacks. Then to make matters worse, knowing they were under investigation, Padma and Reddy Allen appear to have fled to India.

The crimes alleged in today's superseding indictment are jaw-dropping. They reveal one of the most elaborate and massive schemes to defraud the City ever charged.

But as stunning as the allegations are, our resolve is even stronger. We have so far charged 11 individuals and one company. Moreover, in recent weeks we have frozen an additional \$10 million from over 35 new bank accounts. In total, we have now seized or frozen over \$38 million from over 120 bank accounts and safe deposit boxes, and we've attached millions of dollars more in properties linked to the scheme. And our investigation remains active.

We will continue to aggressively investigate the CityTime Project until every criminal participant is brought to justice. And while Padma and Reddy Allen have tried to get away with their crimes by fleeing abroad, we will take all steps to locate them and bring them to justice here in New York.

We will not rest until everyone who gouged the City, or who enabled its gouging, is held accountable. And we will not rest until – one way or another – every penny of fraud is recovered and returned to the City.

Particularly at a time when New York City – like everyone else these days – is facing profound pressure to cut budgets and trim costs, we cannot let stand the loss of potentially hundreds of millions of dollars from fraud. And so for the benefit of the City and the people who rely on its services, we will not consider our job done until the City and its citizens are made whole.